LaSalle Bank Corporation
Member of the ABN AMRO Group

135 South LaSalle Street
Chicago, Illinois 60603

June 30, 2005

Office of the Comptroller of the Currency
250 E. Street, SW
Public Information Room, Mailstop 1-5
Washington, D.C. 20219
Attention : Docket No. 05-08

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
Washington, D.C. 20551
Attention : Docket No. OP-1227

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Robert Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Regulations Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, NW
Washington, D.C. 20552

RE: Comments on the Interagency Proposal on the Classification of Commercial Credit Exposures

Dear Sirs and Madams:

LaSalle Bank Corporation (LBC) appreciates the opportunity to share its perspectives on the subject interagency proposal regarding the risk rating categorization for commercial credits.

LBC voices its support of a two dimension rating system, addressing obligor risk and separately, loss severity, as proposed by the agencies. Such a system can directly recognize the positive effects of structure and collateral, which can materially reduce loss in many credit transactions. This is an important step, to address how obligor risk can be mitigated through collateral structure, control and monitoring. This proposal is meaningful considering all the industry work of late devoted to enhance risk management systems.

LBC, though, has concerns and observations about the proposal as presented for industry consideration and comment; our points for your consideration are:

The revised obligor rating definitions themselves do not bring enhanced clarity or

rating category. This would provide a much closer alignment of internal and regulatory ratings for this group of riskier loans.
The proposed ratings lump all non-accrual loans into one category, "Doubtful" which will have a negative effect as the present system allows for placing loans in either the Substandard/Non-accrual or the as exists Doubtful category, depending upon circumstances. Further discussion of what if any benefits this compression provides is necessary. Lastly, as it concerns obligor ratings, the proposal establishes a definition for default that is narrower than that stemming from Basel II expectations. A material difference at this key concept creates the aspect of dual bookkeeping that appears inefficient, costly and could lead to less rather than more accurate risk rating and capital sufficiency analysis. Further work is needed to resolve/reconcile this potential problem area.

The proposed facility rating categories that address a facility's loss severity seem very narrowly constructed such that based upon the stated qualifying factors, it does not appear that any meaningful relief for asset-based loans would emerge, and that commercial loans may see no benefit from the proposed categories. Whether it is specialized industries or specialized lending situations, wider applicability of "better" loss severity categories to commercial loans warrants more analysis. The agency-proposed facility ratings, or LGD (Loss Given Default) equivalents would likely require additional bookkeeping on the part of institutions as they will most assuredly differ from those that institutions, such as LBC, have developed that reflect the historical experience of the institution through internally derived and substantiated LGD's. Going through the process of mapping more granular internal LGD categories to the few proposed categories is expected to lead to worse rather than better data for use in capital calculations. Further, the narrowness of the proposed Loss Severity categories is punitive as compared to public market loss data which indicates wider ranges than those set forth by the regulatory agencies. On this basis, the proposed facility ratings are likely to indicate higher loss likelihood than current market data supports and ignores institutionally evidenced historical data. Moreover, in determining facility ratings, equal if not more importance should be given to the liquidation value of collateral and the how quickly (within the confines of normal market practices) it can be converted to cash, and less emphasis placed simply on the type of collateral. Many efficient secondary markets exist that can absorb a variety of assets; this should be an important element in the facility rating / LGD process. Therefore, LBC firmly believes more discussion and analysis of the determination of facility ratings is necessary before moving forward on this front.

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enable more efficient and effective work on the proposed revamping of the classification of commercial credit exposures.

Again, we appreciate the opportunity to comment on this proposal and look forward to the results of the comment process.

Thank you.

Terry Bulger

Terry Bulger
Executive Vice President and Chief Risk Officer
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